American Petroleum Institute

1220 L Street, Northwest
Washington, D.C. 20005-4070
Phone: 202-682-8116
Fax: 202-682-8426
E-mail: rubinm@api.org

Mark Rubin
Upstream General Manager

September 12, 2000

The Honorable Jesse Helms
Chairman
Senate Committee on Foreign Relations
SD-450
Washington, DC 20510

Dear Mr. Chairman:

The American Petroleum Institute, Independent Petroleum Association of America, International Association of Drilling Contractors, National Ocean Industries Association, and the United States Oil and Gas Association appreciate this opportunity to provide the Committee with our views on the treaty between the United States and Mexico regarding Delimitation of the Continental Shelf in the Western Gulf of Mexico beyond 200 nautical miles, also known as the Western Gap Treaty. These five trade associations represent virtually the entire offshore oil and natural gas exploration and production industry and service industry in the Gulf of Mexico.

The United States State Department and Minerals Management Service have consulted on several occasions with the oil and gas industry about the treaty, and the oil and gas industry fully supports swift ratification of the Western Gap Treaty by the United States Senate.

Background of Maritime Boundary Treaty

In 1978, the U. S. and Mexico signed a maritime boundary treaty that divided the seabed, subsoil, and water column between the U.S. and Mexico off the Pacific Coast and in the Gulf of Mexico. The purpose of the treaty was to establish a permanent maritime boundary and eliminate overlapping jurisdictional claims between the U. S. and Mexico for fishing grounds, oil and natural gas, and other natural resources.

Under the treaty, the maritime boundary was drawn as an equidistant line from the coastlines of the two countries giving full effect to habitable islands. The treaty divided the areas where Mexican and U. S. exclusive economic zones (EEZs) overlapped, but left two areas, referred to as the eastern and western "donut holes" or gaps, unresolved. These two gaps are beyond the 200-mile EEZ claimed by both countries. Mexico ratified the 1978 boundary treaty in 1979, and the U. S. ratified it in 1997.

Western Gap Treaty

Upon ratification of the Boundary Treaty in 1997, the U.S. and Mexican governments began negotiations to establish the maritime boundary within the Western Gap; a 5,092 square nautical mile area more than 200 miles from either country's border. This treaty represents the culmination of those negotiations and, as indicated earlier, is fully supported by the offshore petroleum industry. Under the treaty, an additional 1,913 square nautical miles or about 1.6 million acres of the Gulf of Mexico would fall under United States jurisdiction. Portions of the Western Gap could be made available for oil and natural gas leasing as early as March 2001 if the treaty is ratified this year. Approximately 160,000 acres of U.S. controlled acreage located directly adjacent to the Gap boundary would be made available 10 years after the treaty is ratified by both the United States and Mexico.

Today, industry has the technology to explore for oil and gas in water depths up to 10,000 feet and to produce hydrocarbons in over 5,000 feet of water. Since oil and gas exploration has moved into the deep water Gulf of Mexico in close proximity to the existing maritime boundary, negotiators sought to establish a regime to encourage information transfer and consultation regarding potential trans-boundary resources within the Western Gap. To that end, the treaty establishes a 2.8 nautical mile buffer zone – 1.4 nautical miles on either side of the boundary line – where a special regime would be established to address potential trans-boundary resources within the gap.

Specifically, within the buffer zone, the treaty establishes a 10-year moratorium on all exploration and production activities with the exception of geological and geophysical (G&G) studies. The 10-year period begins upon ratification of the treaty by both governments and may be shortened upon mutual agreement. During this period, the treaty encourages the two countries to consult and share public data – consistent with their respective laws and regulations – to determine the presence and distribution of trans-boundary resources. At the end of the 10-year period, the two governments are obliged to advise each other of any decision to offer the acreage on their side of the buffer zone for lease, license, auction, etc., or to develop the acreage in advance of first production in the buffer zone.

Ratification This Year Important

Ratification of the treaty by this Congress will clear the way for the U. S. Minerals Management Service to begin offering for lease about 1.5 million additional deep water acres in the Gulf of Mexico as early as next year and trigger the clock on the 10-year buffer zone period described earlier.

Ratification of this treaty will be beneficial for U.S. energy needs once exploration and production is allowed to commence in the Western Gap. If the MMS began offering tracts immediately and industry began exploration tomorrow in this area, it could be 10 years before the U.S. consumer would see those products in the market place. Moreover, leases within the Western Gap could potentially generate significant revenues for the U.S. Treasury.

The petroleum industry has been very concerned over reduced domestic production and greater reliance on imports. In recent years, domestic areas available for exploration have been significantly diminished; ratification of this treaty will be a step towards making an additional 1.5 million acres of the Gulf of Mexico available for leasing next year. As a result, industry supports the Western Gap Treaty and strongly encourages the U. S. Senate to ratify it this year.

Thank you for the opportunity to comment on this important treaty. Since there will be hearing held on this treaty on Wednesday September 13, 2000, we would appreciate if you would please make industry's comments part of that hearing record.

Sincerely,

Mark Rubin
Upstream General Manager

Cc: Members of the Senate Committee on Foreign Relations